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THE BOOTS COMPANY PLC
Report and Accounts 1985

For the year ended 31st March 1985

Group highlights

for the year ended 31st March 1985

| | 1985 £m | 1984 £m | % change on 1984 |
|---|---------------|------------|---------------------|
| Turnover | 2033·1 | 1832·8 | +10·9 |
| * Industrial Division | 383·0 | 336·9 | +13·7 |
| Retail Division | 1758·9 | 1603·1 | +9·7 |
| Trading profit | 178·9 | 157·4 | +13·7 |
| Industrial Division | 64·2 | 62·3 | +3·0 |
| Retail Division | 117·6 | 99·2 | +18·5 |
| Profit on ordinary activities before taxation | 190·3 | 165·1 | +15·3 |
| Profit for the financial year attributable to shareholders | 133·9 | 128·3 | |
| Earnings per share before taxation | 25·8p | 22·4p | |
| Earnings per share after taxation | 15·5p | 14·4p | |
| Dividends | 45·2 | 40·0 | |
| Retained in the business | 88·7 | 88·3 | |
| Capital expenditure | 93·0 | 59·9 | |

*Including sales to Retail Division.

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The Boots Company PLC

Report and accounts
for the year ended 31st March 1985



1985
THE QUEEN'S AWARD FOR
TECHNOLOGICAL ACHIEVEMENT
THE RESEARCH DEPARTMENT OF
THE BOOTS COMPANY PLC

Financial calendar

Dividend and interest payments

Ordinary dividends

Final 1984/85:

Announced 30th May 1985.

Payable 25th July 1985.

Interim 1985/86:

Announced 21st November 1985.

Payable 10th January 1986.

Final 1985/86:

Proposed May 1986.

Payable July 1986.

7 $\frac{3}{4}$ % loan stock interest:

Paid 30th September and

31st March.

6 $\frac{3}{4}$ % bond interest:

Paid 1st August.

Results

For half-year:

Announced 21st November 1985.

For the year:

Announced May 1986.

Report and accounts:

Circulated June 1986.

For capital gains tax purposes the market value of a Boots share was 20p on 6th April 1965 and 112.5p on 31st March 1982.

Board of directors

| | |
|--|---|
| Chairman and chief executive | R N Gunn |
| Vice chairman | * Sir Bernard Scott, CBE, TD, FEng |
| Managing director (Industrial Division) | E E Cliffe, DPhil, FIBiol, FRSC |
| Managing director (Retail Division) | K Ackroyd, FPS |
| | P H Courtney, FCA |
| | A H Hawksworth, TD |
| | G M Hourston, FPS |
| | * A B Marshall |
| | * The Rt Hon Sally Oppenheim, PC, MP |
| | * I M G Prosser, FCA |
| | T G Richardson |
| | M F Ruddell |
| | * D A G Sarre |
| | G R Solway |
| | B H C Theobald |
| | * Non-executive directors |

| | |
|--------------------------------|---|
| Secretary | D N Edmundson |
| Registered office | Nottingham, NG2 3AA |
| Auditors | Peat, Marwick, Mitchell & Co. |
| Bankers | National Westminster Bank PLC National Girobank |
| Registrars and transfer office | National Westminster Bank PLC Registrar's Department, P.O. Box 82, 37 Broad Street, Bristol. BS99 7NH |



The Boots Company PLC
Report and accounts
for the year ended 31st March 1985



Statement by the chairman

“The year under review has been one of considerable change within the Company and much has been achieved. I am confident that we shall make further progress in the year ahead.”

I should like to begin my first statement by paying tribute to my predecessor, Dr Peter Main, who retired on 31st March 1985 after twenty-eight years' distinguished service with the Company. Under his chairmanship, the group made substantial progress. We are greatly indebted to him and we wish him every happiness in the future.

Group sales for the year were £2,033.1m, an increase of 10.9%, and profits before tax increased by 15.3% to £190.3m. Excluding the surplus on disposal of properties (£8.9m), profits were up by 22.1%.

The Retail Division had a sales increase of 9.7% and a profit increase of 18.5%. This was a very good result even allowing for the distortions caused by the changes in NHS remuneration which we mentioned at the time of the half-yearly statement.

Sales of Boots The Chemists increased by 7.4% and profits by 29.3%. The programme of introducing the new marketing strategy into our larger stores is proceeding as planned and the benefits are now becoming apparent. On 27th November 1984, we were greatly honoured by the visit of Her Royal Highness The Princess Anne who performed the opening

ceremony at our new development in Kingston upon Thames where we have a major store in the new image.

Overseas, Boots Drug Stores in Canada made further progress and improved profitability substantially. In France, the planned expansion of Sephora, our chain of beauty shops, is continuing.

The Industrial Division had a sales increase of 13.7% but profits grew by only 3%. Pharmaceuticals had a good year, the gains coming from our overseas companies, but the future is uncertain because of government policies in many countries. In the UK further, even more damaging, measures have been imposed. The introduction of the limited list to National Health Service prescribing has been well publicised, and the further severe reduction in the allowed return on capital to a level which is quite insufficient for a high risk, research-based industry, must be expected to have a serious impact on the level of investment by pharmaceutical companies in this country.

During the year we purchased Kanoldt, a growing pharmaceutical company in West Germany. This provides us with a presence in this important pharmaceutical market and gives us a good base from which to expand our business there.



We were delighted that our Research Department received The Queen's Award for Technological Achievement for the discovery and development of ibuprofen, our world-renowned anti-rheumatic. This is welcome recognition for an outstanding product and all who have worked for its success over the years.

Our Consumer Products business had a disappointing year largely as a result of severe problems in certain overseas markets, particularly Kenya and Nigeria. However, the successful launch of over-the-counter ibuprofen through our licensee in the United States, and our increased sales of Nurofen in the United Kingdom, give us confidence for an improved result in the current year.

We are concerned at the continuing high levels of unemployment in the United Kingdom, and are maintaining our high level of support for the Youth Training Scheme. We are also increasing our support for Business in the Community to encourage the development of new, small business ventures.

Our Vice Chairman, Sir Bernard Scott, retires this year at the conclusion of our annual general meeting. He became a Director in 1976 and Vice Chairman of the Company and Chairman of the Audit Committee in 1983. He has been a most valuable member of the Board and we shall miss his wise counsel. We wish him and Lady Scott every happiness in the future.

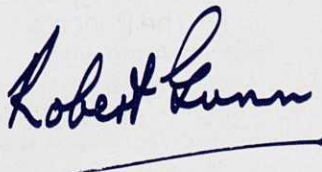
In September, a number of important changes to the composition of your Board took place. Mr I M G Prosser was appointed to the Board as a Non-Executive Director. Mr Prosser is Vice Chairman and Group Managing Director of Bass PLC.

Mr G M Hourston became Deputy Managing Director of Boots The Chemists, and Mr A H Hawksworth was appointed to the Board to replace him as Staff Director. Mr B H C Theobald took over the new post of Group Corporate Development Director. Mr M F Ruddell was appointed to the Board and brings with him considerable retail merchandise and marketing expertise. I believe that these changes have strengthened your Board considerably.

The year under review has been one of considerable change within the Company and much has been achieved. Capital expenditure rose sharply to £93m (£59.9m last year), covering enhancements to our retail business and our production and research facilities at home and abroad. Investment will continue to increase over the next two years.

The success of our business relies heavily on the quality and dedication of our staff, and I should like to thank them all for the major contribution which they have made during the year.

I am confident that we shall make further progress in the year ahead.



ROBERT GUNN
CHAIRMAN

Review of the year: Retail Division

Divisional Board

K Ackroyd, FPS
Managing Director (Chairman)
 J W Berry
 P Dobson, MPS
 P L M Davies, MPS
 G M Hourston, FPS
 A B McInnes, MPS
 A R Ripley, TD
 M F Ruddell
 D A R Thompson, FCA
 B E Whalan
 J D Wykes, MPS
 I A Hawtin, *Secretary*

Divisional Results

| | 1985 | | 1984 | |
|-----------------------------------|----------------|--------------|----------------|--------------|
| | Turnover £m | Profit £m | Turnover £m | Profit £m |
| UK | 1564.6 | 107.1 | 1456.9 | 82.8 |
| Surplus on disposal of properties | — | 8.9 | — | 16.5 |
| | 1564.6 | 116.0 | 1456.9 | 99.3 |
| Overseas | 194.3 | 1.6 | 146.2 | (.1) |
| | 1758.9 | 117.6 | 1603.1 | 99.2 |

United Kingdom

Boots The Chemists has had another successful year, benefiting from buoyant consumer expenditure. Sales have increased by 7.4%, over half of which was real growth, and profits by 29.3%.

During the year further progress has been made in improving the appeal of our larger branches through a combination of store redesign and the introduction of new departments. The major Company retail development in Kingston upon Thames is in this new image, which was also applied when enlarging our premises at Southampton (Above Bar) and in refits at Burton-on-Trent, Hull, Loughborough, Woking, Manchester and Cardiff. Elsewhere we are continuing our programme for the more widespread introduction of the successful concepts initiated in the previous year: by the year-end we had 14 Sound/Vision departments—representing a contemporary presentation of photographic, audio, recorded music and home computer merchandise—34 in-store optical practices and 148 Cookshops. The two-year programme of Cookshop development has been completed on schedule and with trading results above our forecasts.



Keith Ackroyd—Managing Director, Retail Division (left) and Norman Brown, Directeur Général of Sephora—the French retail chain owned by Boots.

We have been considering how best to respond to our customers' interest in preventative health care and have concluded that our established dietary and diabetic section should be expanded to a full 'healthy eating' food department. A rapid introduction

of these 'Foodcentres' into larger branches took place during the second half of the year, reaching 159 by the end of March and more are being introduced.

This year we celebrate the centenary of the introduction of

exclusive Boots Brand products and we now have a very wide selection within this excellent inventory. The past year has seen important new ranges of Boots babyfood, children's clothing, cookware and kitchen electrical products, toiletries and films, as well as the success of new Boots Brand medicines developed and produced by the Industrial Division. Merchandise development and range selection in support of strong marketing concepts remain vital to our progress.

The significant changes which are taking place in our merchandise and in our shops have led us to review our advertising and promotional strategy. As a consequence new advertising and public relations agencies have been retained. After careful preparation the Boots Price Pledge on selected lines was launched overnight on 15th February. This involved much extra work by our staff and we are pleased with the results arising from their efforts.

Boots The Chemists again increased productivity, through the simplification of procedures,



Sound/Vision department at the new Kingston upon Thames branch of Boots The Chemists.

development of better systems and the efforts of management and staff. We are committed to high standards of customer service, our staff and management are trained to adopt a friendly and positive attitude and we continuously monitor the standards achieved.

Overseas

As forecast last year, the Canadian subsidiary has achieved a further substantial improvement in its fortunes. Despite a slight reduction in the number of shops, a 17% increase in sales was recorded resulting from more aggressive pricing and marketing policies and underpinned by the continuing economic recovery. Market share has increased. We are confident that the significant improvement in profitability achieved in the last two years will be continued in 1985.

Sales in Sephora, our French chain, increased by 59%, with a 23% increase in comparative shops. During the year a further 7 shops were added, increasing the total to 13, and this rate of expansion is expected to continue in the current year. Pre-opening expenses, initial trading losses and the gearing up of corporate facilities have combined to produce a loss in the year but we are excited by the progress being made.



Newly designed cosmetics department at Boots The Chemists in Birmingham.

Review of the year: Industrial Division

Divisional Board

E E Cliffe, DPhil, FIBiol, FRSC
Managing Director (Chairman)
 E C Bosworth
 S A B Kipping
 B Lessel, PhD, FIBiol
 J W Lewin
 T G Richardson
 K T Robinson
 G R Solway
 K R Whitesides
 J H Wilson
 D J Winter, *Secretary*

Divisional Results

| | 1985 | | 1984 | |
|---------------------------------------|----------------|--------------|----------------|--------------|
| | Turnover £m | Profit £m | Turnover £m | Profit £m |
| UK and export | 226.1 | 34.6 | 205.4 | 36.7 |
| Overseas | 187.6 | 30.0 | 153.5 | 23.8 |
| Less: Sales within the division | (30.7) | — | (22.0) | — |
| | 383.0 | 64.6 | 336.9 | 60.5 |
| Share of results of related companies | — | (.4) | — | 1.8 |
| | 383.0 | 64.2 | 336.9 | 62.3 |

Growth in the sales and profits of our overseas companies is, for the fourth year in succession, the highlight of the Industrial Division performance.

For the Division as a whole, sales increased by 13.7% and profits by 3%. Last year's profits included the final half-year contribution from FBC, sold in September 1983: without this, the overall profit increase was 6.3%.

Research and Development

We are proud of The Queen's Award for Technological Achievement for the discovery and development of ibuprofen.

Evaluation of the new product for the treatment of hypertension continues to plan and the programme of clinical investigation has been extended to include the US. A novel antidepressant, selected from a number of potential products under study in our laboratories, has now reached the stage of initial clinical evaluation. We are encouraged by the progress on these products to press ahead

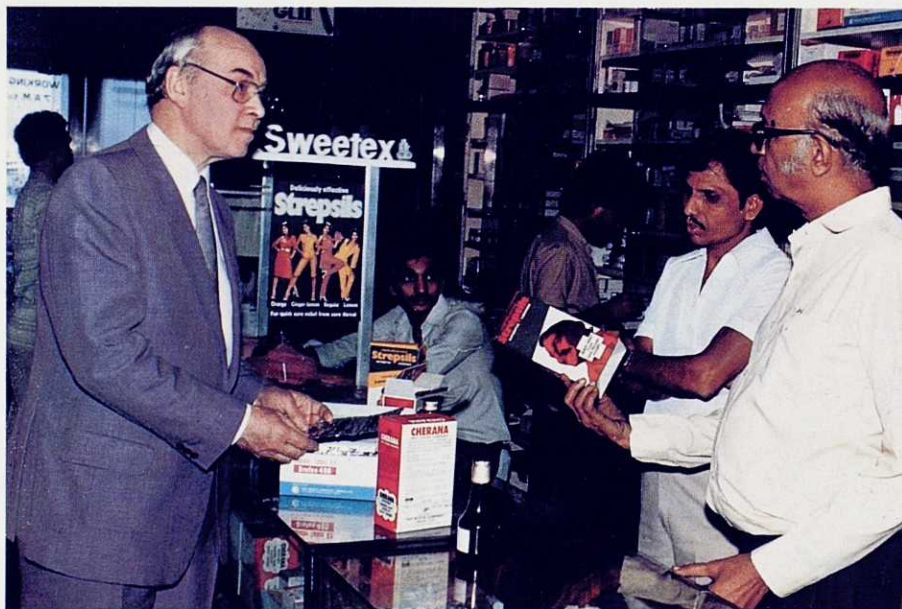
with plans to increase research expenditure by over 25% in the coming year.

An application to market Froben, our latest antirheumatic, has been submitted to the US regulatory authorities for approval. Our patents on ibuprofen in the US expired in May 1985 and the termination of patent royalties will adversely affect profits growth in 1985-86.

Developments reaching fruition during the year have included the new range of children's medicines for Boots The Chemists and the Sports range of medicinal products.

Manufacturing

In order to meet the increasing world-wide demand for ibuprofen, we have just completed an expansion of the Beeston plant to over 2,000 tonnes annual capacity. Site work has begun on a multi-product chemical plant at Cramlington to replace outdated chemical production facilities near to the centre of Nottingham. Overseas, a new factory, warehouse and office are due for completion by the end of 1985 at Shreveport, Louisiana. This will provide enlarged premises for Boots Pharmaceuticals Inc. in the US.



Dr Eric Cliffe—Managing Director, Industrial Division in discussion with a pharmacy customer in Bombay, India.



Architectural model of the new factory, warehouse and office under construction at Shreveport, Louisiana.

Pharmaceuticals

Sales increased by 18.6% with, as for last year, the growth coming from our overseas businesses.

Boots Pharmaceuticals Inc. produced a dollar sales increase of 29% substantially as a result of the introduction of the 600 mg Rufen (ibuprofen) tablet in March 1984. This growth was achieved in spite of the price reduction to meet competition half way through the year.

Our companies in India and Pakistan have produced excellent results for the year. In Europe, Spain in particular suffered from government policies relating

A selection of prescription pharmaceuticals and consumer products manufactured by the Industrial Division.

to prescription medicines and in the UK, hospital product business suffered from severe price competition.

Boots-Celltech Diagnostics Limited is progressing well up to expectations. The significant and encouraging research activity has extended the range of products.

Consumer Products

Sales increased by 6.6% with excellent results in some areas being seriously offset by the collapse of certain markets.

The highlight of the year was the approval by the US Food and Drug Administration in May 1984 of ibuprofen as an over-the-counter analgesic. Our licensee has already made a major impact upon the American non-prescription pain relief market. Nurofen, the UK brand, continues to build market share and has been launched in Ireland. Approval to market is awaited in many other countries.

The predominantly consumer products businesses in Kenya and Nigeria have had an extremely difficult year. The related company in Nigeria suffered serious stock shortages due to import restrictions. In Kenya, the loss of purchasing power resulting from the drought caused us severe trading difficulties. In the UK, Nurofen, Strepsils, Karvol, Optrex and Cream E45 performed well, as did our health care brands in many other countries. We are now concentrating overseas activities into the health care sector, the area of our greatest strengths.



Directors' report

The directors of The Boots Company PLC present their annual report to shareholders, together with the audited accounts for the year ended 31st March 1985.

Principal activities

The group's worldwide trading is conducted through two divisions, Industrial and Retail. The principal activities of the former are the research, manufacturing and marketing of pharmaceuticals and consumer products. The Retail Division's principal activities are the retailing of chemist and other merchandise. A review of these activities is shown on pages 4 to 7.

Group results

The group profit and loss account for the year ended 31st March 1985 (with 1984 comparisons) shown on page 10 includes the following details:

| | 1985 £m | 1984 £m |
|--|------------|------------|
| Trading profit | 178.9 | 157.4 |
| Profit on ordinary activities before taxation | 190.3 | 165.1 |
| Profit for the financial year attributable to shareholders | 133.9 | 128.3 |

Appropriations

The directors recommend the payment of a final dividend of 4.0p per share which, if approved by shareholders, will be posted on 25th July 1985 to shareholders registered on 14th June 1985. When added to the interim dividend of 2.2p already paid this makes a total dividend for the year of 6.2p per share (1984 5.5p per share). Payment of these dividends requires £45.2m (1984 £40.0m), leaving £88.7m (1984 £88.3m) retained in the business.

Group structure

In November 1984 the group acquired 95% of Kanoldt Arzneimittel GmbH, a West German pharmaceutical manufacturing and marketing company.

Share capital

Details of all shares issued during the year are shown in note 18 on page 22.

Fixed assets

The UK retail trading properties were valued by the directors at 1st January 1981, based on detailed assessments prepared by the company's qualified valuers. These properties, representing approximately 70% of the net book value of the group's total property portfolio, were valued at open market value at more than £300m over historical net book value.

This valuation has not been incorporated in the accounts. Details of fixed assets are shown in note 10 on pages 17 and 18.

Current cost information

Current cost information is shown on pages 26 and 27 and includes the following details:

| | 1985 £m | 1984 £m |
|--|------------|------------|
| Trading profit | 147.0 | 122.6 |
| Profit on ordinary activities before taxation | 158.4 | 130.9 |
| Profit for the financial year attributable to shareholders | 85.3 | 80.5 |

Employment policies

The company continues to involve staff in the decision-making process, through management, through a comprehensive structure of staff councils and with trade unions where they represent staff. During 1984 the Staff Councils covered a wide range of subjects. The company was

pleased to receive during the year an Industrial Participation Association award for its achievements in this area.

In addition to Staff Councils, briefing meetings are held with representatives of staff at all levels to explain the financial and economic factors affecting the group and to review group performance. These and other business matters are reported in *Boots News* which is published every six weeks and is sent to employees throughout the world, and in an Annual Report to Staff. This is supported by a video presentation, in which the directors report on group results.

In the UK staff involvement in performance is encouraged through a bonus scheme and a linked employee share scheme related to UK profits, and also through an employees' share option scheme linked to save-as-you-earn savings contracts. The involvement of staff also extends to the board of Boots Pensions Ltd., on which there are four employee representatives out of a total of nine board members.

The company recognises its social and statutory duty to employ disabled persons and does all that is practicable to meet this responsibility. It is the company's policy to consider applications for employment from disabled persons (whether registered or not) in the light of their aptitudes and abilities and the needs of the job. Where an employee becomes disabled he or she continues in the same job or, if this is not practicable, every effort is made to find a suitable, alternative job and appropriate training is given.

The company's aim on training and promotion for all members of staff is to fit the qualifications and ability of each individual to the appropriate job, and to provide equal opportunity regardless of sex, religion, nationality or colour.

Charitable donations

Donations for charitable and educational purposes in the UK for the year were £415,000 (1984 £371,000). There were no political payments.

Directors

On 1st April 1985 Mr R N Gunn succeeded Dr P T Main as Chairman following Dr Main's resignation from the board on his retirement from the company.

Mr R N Gunn joined the company in 1951. He was appointed to the board in 1976 and joined the Industrial Division in 1979, becoming its Managing Director the following year. In 1983 he was appointed Vice Chairman and Chief Executive.

On 24th September 1984 Mr A H Hawksworth, Mr M F Ruddell and Mr I M G Prosser were appointed to the board and in accordance with article 107 retire and offer themselves for re-election.

Mr A H Hawksworth is Staff Director. He joined the company in 1959, and worked in Warehousing and Production before moving into Personnel in 1970.

Mr M F Ruddell is Marketing Director for UK retailing. He joined the company in 1966, and has previously held several positions in Retail Marketing following earlier career experience in Personnel and Finance.

Mr I M G Prosser is a non-executive director. He is a chartered accountant and Vice Chairman and Group Managing Director of Bass PLC.

The Rt Hon Sally Oppenheim, PC, MP retires by rotation in accordance with article 100 and offers herself for re-election.



Mr A H Hawksworth



Mr M F Ruddell



Mr I M G Prosser



The Rt Hon Sally Oppenheim

Sir Bernard Scott, CBE, having attained the age of 70, will vacate his office as a director at the conclusion of the annual general meeting and does not offer himself for re-election.

Directors of The Boots Company PLC have no service contracts with the company of more than one year's duration.

No director had any interest, either during or at the end of the financial year in any contract which was significant in relation to the group business.

Details of the interests of the directors and their families in the share capital of the company are shown in note 24 on page 25.

Shareholders

The directors are not aware that any person held a beneficial interest in 5% or more of the share capital of the company at 30th May 1985.

Company status

The close company provisions of the Income and Corporation Taxes Act 1970 do not apply to this company.

Auditors

It is proposed to re-appoint Messrs. Peat, Marwick, Mitchell & Co., as auditors and resolutions to re-appoint them and to authorise the directors to fix their remuneration will be proposed at the annual general meeting.

By order of the board
D N Edmundson, Secretary.
30th May 1985.

Group profit and loss account

for the year ended 31st March 1985

| | Notes | 1985 £m | 1984 £m |
|---|-------|---------------|------------|
| Turnover | 2 | 2033.1 | 1832.8 |
| Trading profit | 3 | 179.3 | 155.6 |
| Share of results of related companies | | (.4) | 1.8 |
| | | 178.9 | 157.4 |
| Interest | 4 | 11.4 | 7.7 |
| Profit on ordinary activities before taxation | | 190.3 | 165.1 |
| Taxation on profit on ordinary activities | 5 | (76.6) | (59.8) |
| Profit on ordinary activities after taxation | | 113.7 | 105.3 |
| Minority interests | | (1.0) | (.9) |
| | | 112.7 | 104.4 |
| Extraordinary profit after taxation | 6 | 21.2 | 23.9 |
| Profit for the financial year attributable to shareholders | 7 | 133.9 | 128.3 |
| Dividends | 8 | (45.2) | (40.0) |
| Profit retained | | 88.7 | 88.3 |
| Earnings per share before taxation | 9 | 25.8p | 22.4p |
| Earnings per share after taxation | 9 | 15.5p | 14.4p |

Balance sheets

31st March 1985

| | Notes | Group | | Parent | |
|---|-------|--------------|--------------|--------------|--------------|
| | | 1985 £m | 1984 £m | 1985 £m | 1984 £m |
| Fixed assets | | | | | |
| Tangible assets | 10 | 504.3 | 453.2 | 157.1 | 131.8 |
| Investments | 11 | 3.7 | 4.4 ✓ | 98.9 | 91.9 |
| | | <u>508.0</u> | <u>457.6</u> | <u>256.0</u> | <u>223.7</u> |
| Current assets | | | | | |
| Stocks | 12 | 373.7 | 339.5 | 142.1 | 139.2 |
| Debtors | 13 | 129.1 | 112.2 | 287.0 | 269.4 |
| Investments | 14 | 165.7 | 143.3 ✓ | 145.0 | 127.2 |
| Cash at bank and in hand | | 9.0 | 11.2 | .3 | .2 |
| | | <u>677.5</u> | <u>606.2</u> | <u>574.4</u> | <u>536.0</u> |
| Creditors: amounts falling due within one year | 15 | (373.8) | (338.7) | (272.0) | (249.6) |
| Net current assets | | <u>303.7</u> | <u>267.5</u> | <u>302.4</u> | <u>286.4</u> |
| Total assets less current liabilities | | | | | |
| | | <u>811.7</u> | <u>725.1</u> | <u>558.4</u> | <u>510.1</u> |
| Creditors: amounts falling due after more than one year | 16 | (12.8) | (13.3) | (28.2) | (28.2) |
| Provisions for liabilities and charges | 17 | (25.2) | (21.7) | (9.1) | (9.3) |
| Net assets | | <u>773.7</u> | <u>690.1</u> | <u>521.1</u> | <u>472.6</u> |
| Capital and reserves | | | | | |
| Called up share capital | 18 | 182.2 | 182.0 | 182.2 | 182.0 |
| Share premium | 19 | 2.4 | 1.5 | 2.4 | 1.5 |
| Revaluation reserve | 19 | 8.1 | 8.9 | — | — |
| Profit and loss account | 19 | 577.8 | 495.0 | 336.5 | 289.1 |
| | | <u>770.5</u> | <u>687.4</u> | <u>521.1</u> | <u>472.6</u> |
| Minority interests | | 3.2 | 2.7 | — | — |
| | | <u>773.7</u> | <u>690.1</u> | <u>521.1</u> | <u>472.6</u> |

R N GUNN }
P H COURTNEY } Directors

Approved by the board
30th May 1985.

155.6 + 11 = 166.6
725.1 + 31.1 = 756.2

Source and application of funds

for the year ended 31st March 1985

| | 1985 | | 1984 | |
|--|--------|--------------|--------|--------------|
| | £m | £m | £m | £m |
| Source | | | | |
| Group trading: | | | | |
| Profit on ordinary activities before taxation | | 190.3 | | 165.1 |
| Share of results of related companies | | .4 | | (1.8) |
| | | <u>190.7</u> | | <u>163.3</u> |
| Distributions from related companies | | — | | 6.0 |
| Depreciation less net surplus on disposal of tangible fixed assets | | 27.8 | | 15.5 |
| Proceeds on disposal of tangible fixed assets | | 13.7 | | 21.7 |
| Loans | | .4 | | 2.9 |
| Issue of ordinary shares | | 1.1 | | 2.0 |
| | | <u>233.7</u> | | <u>211.4</u> |
| Proceeds on disposal: | | | | |
| Surplus houseware premises | 15.1 | | 14.0 | |
| Overseas investment | 12.8 | | — | |
| Investment in related company | — | | 54.9 | |
| | | <u>27.9</u> | | <u>68.9</u> |
| | | <u>261.6</u> | | <u>280.3</u> |
| Application | | | | |
| Capital expenditure | | | | |
| Investments: | | | | |
| Related companies | 1.0 | | 1.8 | |
| Goodwill | — | | 1.6 | |
| Subsidiary | 10.7 | | — | |
| | | <u>11.7</u> | | <u>3.4</u> |
| Increase in creditors falling due after more than one year | | (.8) | | (.3) |
| Repayment of loans | | 1.7 | | 1.4 |
| Dividends paid | | 41.5 | | 36.3 |
| Taxation paid | | 63.8 | | 52.4 |
| Working capital: | | | | |
| Increase in stocks | 30.6 | | 32.3 | |
| Increase in debtors | 15.1 | | 16.3 | |
| Increase in creditors falling due within one year | (.5) | | (32.0) | |
| | | <u>45.2</u> | | <u>16.6</u> |
| Other items | | 1.0 | | 1.2 |
| | | <u>257.1</u> | | <u>170.9</u> |
| Increase (decrease) in net cash resources: | | | | |
| Listed investments | 32.2 | | 62.0 | |
| Short term deposits | (11.8) | | 35.1 | |
| Cash at bank and in hand | (2.2) | | 6.6 | |
| Bank loans and overdrafts | (13.7) | | 5.7 | |
| | | <u>4.5</u> | | <u>109.4</u> |
| | | <u>261.6</u> | | <u>280.3</u> |

Investment in subsidiary comprises tangible fixed assets £0.3m, goodwill £9.9m and net working capital £0.5m.

Exchange differences on translation of results and opening net assets of overseas subsidiaries have been excluded from applications as they do not represent movements of funds.

Notes relating to the accounts

1 Accounting policies

The following accounting policies have been used in dealing with items which are considered material in relation to the group accounts.

Basis of accounting

The accounts have been prepared under alternative accounting rules set out in the 8th Schedule to the Companies Act, 1948, being prepared under the historical cost convention adjusted by the revaluations of certain properties at open market value. A separate profit and loss account for the parent company has not been presented in accordance with section 149 of the Companies Act, 1948.

Consolidation

The accounts combine the results of the company and its subsidiaries and related companies for the period of, and to the extent of, group ownership, after eliminating intra-group transactions. The excess of cost of investments in subsidiaries over the book value of net assets acquired has been written off to reserves.

Related companies are those companies in which the group has an equity interest of between twenty per cent and fifty per cent and over whose policies the group is able to exercise a significant degree of influence. The proportion of results attributable to the group is included in the group profit and loss account and dividends received from them are, therefore, excluded from investment income. In the group balance sheet related companies are shown at the group's share of net assets excluding goodwill.

The accounts of UK subsidiaries and related companies are included to 31st March 1985. The accounts of overseas subsidiaries and related companies are included to 31st December 1984, and adjusted for any abnormal transactions in the intervening period, in order to facilitate early presentation of group accounts.

Foreign currencies

The company has changed its policy for presenting the results of overseas companies. These are now translated into sterling on an average exchange rate basis, weighted by the actual results of each month, whereas previously the closing rate method was used. Comparative results have not been re-stated as no significant distortion arises from the change.

Assets and liabilities of overseas subsidiaries are translated into sterling at the rates of exchange ruling at the date of the group balance sheet.

All such translation differences are taken to reserves.

Other exchange gains or losses are taken to trading profit where they relate to items of a trading nature. Overseas investments are stated at the rates of exchange in force at the date the investment was made.

Depreciation

Depreciation is calculated to write off assets by equal instalments during their expected normal lives. The maximum life assumed for buildings is eighty years, and the lives assumed for fixtures and plant vary between three and twenty years. No depreciation is provided on freehold land and assets in course of construction.

Notes relating to the accounts

1 Accounting policies (continued)

Stocks

Stocks are valued at the lower of cost and net realisable value. Cost comprises purchase cost of goods, direct labour and those overheads related to manufacture and distribution based on normal activity levels.

Research and development

Expenditure, other than on buildings and plant, is charged against profits in the year in which it is incurred.

Pension funding

The company and its UK subsidiaries operate pension schemes under which contributions by employees and by the companies are held in trustee administered funds separated from the companies' finances. Actuarial valuations of the schemes are conducted at three-year intervals and include a review of contributions.

Certain overseas companies operate their own pension schemes.

Deferred taxation

Provision is made in respect of timing differences arising from accelerated capital allowances and other timing differences to the extent that such liabilities are expected to become payable in the foreseeable future. Future tax recoveries relating to advance corporation tax and short term timing differences are anticipated to the extent that such recoveries are regarded as certain.

No provision is made for taxation liabilities which would arise on the distribution of profits retained by overseas subsidiary and related companies and on capital gains which might arise from the sale of properties at values at which they are stated in the balance sheet.

2 Turnover and profit on ordinary activities before taxation

| | 1985 | | 1984 | |
|---|----------------|--------------|----------------|--------------|
| | Turnover £m | Profit £m | Turnover £m | Profit £m |
| Industrial Division | 383.0 | 64.2 | 336.9 | 62.3 |
| Retail Division | 1758.9 | 117.6 | 1603.1 | 99.2 |
| Inter-divisional | (108.8) | — | (107.2) | — |
| | <u>2033.1</u> | <u>181.8</u> | <u>1832.8</u> | <u>161.5</u> |
| Interest and unallocated items | — | 8.5 | — | 3.6 |
| | <u>2033.1</u> | <u>190.3</u> | <u>1832.8</u> | <u>165.1</u> |
| Turnover by geographical destination and related profits is as follows: | | | | |
| Africa and Near East | 15.2 | (2.2) | 16.7 | .2 |
| Americas: USA | 72.0 | 25.2 | 46.8 | 17.0 |
| Other Americas | 183.2 | 2.7 | 137.4 | .3 |
| Asia | 36.8 | 6.9 | 31.3 | 5.0 |
| Australasia | 23.1 | 2.4 | 21.0 | 2.8 |
| Europe | 80.5 | 5.2 | 71.1 | 10.7 |
| UK | 1622.3 | 142.0 | 1508.5 | 123.7 |
| | <u>2033.1</u> | <u>182.2</u> | <u>1832.8</u> | <u>159.7</u> |
| Share of results of related companies | — | (.4) | — | 1.8 |
| | <u>2033.1</u> | <u>181.8</u> | <u>1832.8</u> | <u>161.5</u> |

Turnover comprises sales to external customers excluding sales taxes.

3 Trading profit

| | 1985 £m | 1984 £m |
|--|-----------------|-----------------|
| Turnover | 2033·1 | 1832·8 |
| Cost of sales | <u>(1268·1)</u> | <u>(1160·2)</u> |
| Gross profit | 765·0 | 672·6 |
| Selling, distribution and branch costs | (524·4) | (466·3) |
| Research and development costs | (22·4) | (19·8) |
| Administrative expenses | (62·0) | (55·8) |
| Surplus on disposal of retail trading properties | 8·9 | 16·5 |
| Other operating income—royalties | <u>14·2</u> | <u>8·4</u> |
| Trading profit | <u>179·3</u> | <u>155·6</u> |
| Trading profit is after charging: | | |
| Depreciation | 35·6 | 29·6 |
| Computer and plant hire | 4·5 | 4·3 |
| Remuneration of auditors | ·5 | ·4 |

The 1985 results include a benefit of £5·8m following a DHSS review of labour and overhead costs completed in the current financial year. The 1984 results include a charge of £6·2m arising from a similar review of discounts allowed by wholesalers.

4 Interest

Interest receivable:

| | | |
|---------------------|-------------|-------------|
| Listed investments | 4·2 | 2·8 |
| Short term deposits | <u>14·1</u> | <u>8·2</u> |
| | <u>18·3</u> | <u>11·0</u> |

Interest payable:

| | | |
|-----------------------------------|--------------|--------------|
| Bank loans and overdrafts: | | |
| Wholly payable within five years | (6·2) | (2·7) |
| Other loans: | | |
| Wholly repayable after five years | (·7) | (·6) |
| | <u>(6·9)</u> | <u>(3·3)</u> |
| | <u>11·4</u> | <u>7·7</u> |

Dividends of £6·0m were received from related companies in 1984.

Notes relating to the accounts

| | 1985 £m | 1984 £m |
|--|------------|------------|
| 5 Taxation | | |
| The charge on the profit of the year consists of: | | |
| UK corporation tax at 45% (1984 50%) | 59.9 | 51.7 |
| Deferred tax | 1.8 | (.5) |
| Relief for overseas taxation | (4.8) | (4.9) |
| | <hr/> | <hr/> |
| Total UK taxation | 56.9 | 46.3 |
| Overseas taxation | 19.9 | 13.1 |
| Share of taxation of related companies | (.2) | .4 |
| | <hr/> | <hr/> |
| | 76.6 | 59.8 |
| The taxation charge for the year has been reduced by: | | |
| Capital allowances | 9.4 | 6.9 |
| Other timing differences | .5 | 3.9 |
| Stock appreciation relief | — | 7.7 |
| | <hr/> | <hr/> |
| | 9.9 | 18.5 |

6 Extraordinary profit after taxation

| | | |
|-------------------------------|-------|-------|
| Profit on disposal: | | |
| Surplus houseware premises | 13.4 | 12.8 |
| Overseas investment | 11.8 | — |
| Investment in related company | — | 13.6 |
| | <hr/> | <hr/> |
| | 25.2 | 26.4 |
| Less taxation | (4.0) | (2.5) |
| | <hr/> | <hr/> |
| | 21.2 | 23.9 |

7 Profit for the financial year attributable to shareholders

Of the profit attributable to shareholders £92.8m (1984 £92.3m) is dealt with in the accounts of the parent company.

8 Dividends

| | | |
|----------------------------------|-------|-------|
| Interim paid of 2.2p per share | 16.0 | 14.5 |
| Final proposed of 4.0p per share | 29.2 | 25.5 |
| | <hr/> | <hr/> |
| 6.2p | 45.2 | 40.0 |

9 Earnings per share

Earnings per share calculations are based on 728.6m (1984 727.4m) average ordinary shares in issue weighted on a time basis. Earnings per share before taxation is based on profit on ordinary activities, after deducting minority interests, of £187.8m (1984 £163.2m). Earnings per share after taxation is based on profit, before extraordinary items, of £112.7m (1984 £104.4m).

The effect on earnings per share of full conversion of outstanding convertible US dollar bonds (and the exercise of outstanding options by employees) into ordinary shares of the company would not be material.

10 Tangible fixed assets

| | Land and buildings £m | Plant and machinery £m | Fixtures, fittings, tools and equipment £m | Payments on account and assets in course of construction £m | Total £m |
|--|-----------------------------|------------------------------|--|--|--------------|
| (a) Group | | | | | |
| Cost or valuation | | | | | |
| At 31st March 1984 | 289.4 | 83.8 | 231.0 | 22.4 | 626.6 |
| Currency adjustments | .4 | .1 | .8 | .1 | 1.4 |
| Additions | 10.8 | 6.6 | 19.7 | 55.9 | 93.0 |
| Subsidiary acquired | .3 | .2 | .2 | — | .7 |
| Disposals | (5.6) | (3.0) | (6.8) | — | (15.4) |
| Reclassifications | 22.0 | 7.3 | 13.8 | (43.1) | — |
| At 31st March 1985 | <u>317.3</u> | <u>95.0</u> | <u>258.7</u> | <u>35.3</u> | <u>706.3</u> |
| Depreciation | | | | | |
| At 31st March 1984 | 43.9 | 35.1 | 94.4 | — | 173.4 |
| Currency adjustments | .1 | — | .3 | — | .4 |
| Depreciation for year | 6.7 | 9.6 | 19.3 | — | 35.6 |
| Subsidiary acquired | .1 | .2 | .1 | — | .4 |
| Disposals | (.8) | (2.1) | (4.9) | — | (7.8) |
| At 31st March 1985 | <u>50.0</u> | <u>42.8</u> | <u>109.2</u> | <u>—</u> | <u>202.0</u> |
| Net book value at 31st March 1985 | <u>267.3</u> | <u>52.2</u> | <u>149.5</u> | <u>35.3</u> | <u>504.3</u> |
| (b) Parent | | | | | |
| Cost or valuation | | | | | |
| At 31st March 1984 | 61.6 | 69.8 | 51.3 | 10.1 | 192.8 |
| Additions | 3.5 | 4.6 | 6.3 | 26.2 | 40.6 |
| Disposals | — | (2.7) | (.5) | — | (3.2) |
| Reclassifications | 1.8 | 6.2 | 3.4 | (11.4) | — |
| At 31st March 1985 | <u>66.9</u> | <u>77.9</u> | <u>60.5</u> | <u>24.9</u> | <u>230.2</u> |
| Depreciation | | | | | |
| At 31st March 1984 | 12.9 | 27.5 | 20.6 | — | 61.0 |
| Depreciation for year | 1.8 | 7.7 | 4.8 | — | 14.3 |
| Disposals | — | (1.8) | (.4) | — | (2.2) |
| At 31st March 1985 | <u>14.7</u> | <u>33.4</u> | <u>25.0</u> | <u>—</u> | <u>73.1</u> |
| Net book value at 31st March 1985 | <u>52.2</u> | <u>44.5</u> | <u>35.5</u> | <u>24.9</u> | <u>157.1</u> |

Notes relating to the accounts

10 Tangible fixed assets (continued)

| | Group | | Parent | |
|--|--------------|--------------|--------------|--------------|
| | 1985 £m | 1984 £m | 1985 £m | 1984 £m |
| Net book value of land and buildings comprises: | | | | |
| Land | 51.2 | 46.5 | 2.4 | 2.0 |
| Freehold property | 152.1 | 136.5 | 46.8 | 43.4 |
| Long leasehold (more than 50 years unexpired) | 30.8 | 31.1 | 2.2 | 2.5 |
| Short leasehold | 33.2 | 31.4 | .8 | .8 |
| | <u>267.3</u> | <u>245.5</u> | <u>52.2</u> | <u>48.7</u> |
| Net book value of tangible fixed assets under the historical cost convention | <u>494.8</u> | <u>442.7</u> | <u>155.8</u> | <u>130.2</u> |
| Analysis of cost or valuation: | | | | |
| Cost | 676.0 | 593.8 | 219.5 | 182.0 |
| Independent valuation 1958 | 9.6 | 9.7 | 9.6 | 9.7 |
| 1959 | .2 | .5 | — | — |
| 1965 | 19.4 | 21.5 | — | — |
| Directors' valuation 1971 | 1.1 | 1.1 | 1.1 | 1.1 |
| | <u>706.3</u> | <u>626.6</u> | <u>230.2</u> | <u>192.8</u> |

11 Fixed assets—investments

| | Group | | |
|------------------------------|-------------------------|--------------|-------------|
| | Related companies £m | Listed £m | Total £m |
| At 31st March 1984 | | | |
| Cost | — | 1.0 | 1.0 |
| Share of net tangible assets | 3.4 | — | 3.4 |
| | <u>3.4</u> | <u>1.0</u> | <u>4.4</u> |
| Additions | 1.0 | — | 1.0 |
| Goodwill written off | (.3) | — | (.3) |
| Share of losses for the year | (.2) | — | (.2) |
| Currency adjustments | (.2) | — | (.2) |
| Disposals | — | (1.0) | (1.0) |
| At 31st March 1985 | <u>3.7</u> | <u>—</u> | <u>3.7</u> |
| Share of net tangible assets | 3.7 | — | 3.7 |

The cost of investments in related companies is £3.2m (1984 £2.2m).

11 Fixed assets—investments (continued)

| | Parent | | | | |
|--|------------------------------------|-----------------------------------|----------------------------|--------------|-------------|
| | Shares in subsidiaries £m | Loans to subsidiaries £m | Related companies £m | Listed £m | Total £m |
| At 31st March 1984 | | | | | |
| Cost | 59.7 | 16.9 | 2.2 | 1.0 | 79.8 |
| Book value of net assets on acquisition | 15.3 | — | — | — | 15.3 |
| Provision | (2.0) | — | (1.2) | — | (3.2) |
| | <u>73.0</u> | <u>16.9</u> | <u>1.0</u> | <u>1.0</u> | <u>91.9</u> |
| Additions | 7.4 | 2.8 | 1.0 | — | 11.2 |
| Disposals | — | — | — | (1.0) | (1.0) |
| Currency adjustments | — | (.3) | — | — | (.3) |
| Change in provision | (.9) | (1.3) | (.7) | — | (2.9) |
| At 31st March 1985 | <u>79.5</u> | <u>18.1</u> | <u>1.3</u> | <u>—</u> | <u>98.9</u> |
| Cost | 67.1 | 19.4 | 3.2 | — | 89.7 |
| Book value of net assets on acquisition | 15.3 | — | — | — | 15.3 |
| Provision | (2.9) | (1.3) | (1.9) | — | (6.1) |
| | <u>79.5</u> | <u>18.1</u> | <u>1.3</u> | <u>—</u> | <u>98.9</u> |

The list of principal companies shown on pages 28 and 29 forms part of this note.

12 Stocks

| | Group | | Parent | |
|------------------|--------------|--------------|--------------|--------------|
| | 1985 £m | 1984 £m | 1985 £m | 1984 £m |
| Manufacturing: | | | | |
| Raw materials | 31.1 | 28.0 | 17.4 | 17.8 |
| Work in progress | 20.8 | 19.8 | 16.6 | 16.3 |
| Finished goods | 24.9 | 19.4 | 11.7 | 7.4 |
| | <u>76.8</u> | <u>67.2</u> | <u>45.7</u> | <u>41.5</u> |
| Retailing | 296.9 | 272.3 | 96.4 | 97.7 |
| | <u>373.7</u> | <u>339.5</u> | <u>142.1</u> | <u>139.2</u> |

Notes relating to the accounts

13 Debtors

| | Group | | Parent | |
|--------------------------------------|--------------|--------------|--------------|--------------|
| | 1985 £m | 1984 £m | 1985 £m | 1984 £m |
| Falling due within one year: | | | | |
| Trade debtors | 100.2 | 87.8 | 64.0 | 59.6 |
| Amounts owed by group companies | — | — | 208.8 | 196.9 |
| Amounts owed by related companies | 1.4 | 1.7 | 1.4 | 1.7 |
| Other debtors | 7.3 | 8.4 | 3.3 | 4.3 |
| Prepayments and accrued income | 16.7 | 11.9 | 7.8 | 5.2 |
| | <u>125.6</u> | <u>109.8</u> | <u>285.3</u> | <u>267.7</u> |
| Falling due after more than one year | 3.5 | 2.4 | 1.7 | 1.7 |
| | <u>129.1</u> | <u>112.2</u> | <u>287.0</u> | <u>269.4</u> |

14 Current assets—investments

| | | | | |
|------------------------------------|--------------|--------------|--------------|--------------|
| Listed investments | 94.9 | 62.0 | 94.8 | 61.8 |
| Short term deposits | 70.8 | 81.3 | 50.2 | 65.4 |
| | <u>165.7</u> | <u>143.3</u> | <u>145.0</u> | <u>127.2</u> |
| Market value of listed investments | 95.4 | 63.1 | 95.3 | 63.0 |

Listed investments include £90.5m (1984 £50.0m) short-dated government securities for the group and £90.4m (1984 £49.8m) for the parent.

15 Creditors: amounts falling due within one year

| | | | | |
|--|--------------|--------------|--------------|--------------|
| Bank loans and overdrafts | 44.9 | 31.1 | 25.2 | 17.8 |
| Trade creditors | 138.2 | 137.2 | 111.7 | 116.2 |
| Due to group companies | — | — | 28.2 | 21.8 |
| Due to related companies | .1 | .1 | .1 | .1 |
| Bills of exchange | 3.2 | 1.9 | .2 | .3 |
| Corporation tax | 70.7 | 56.9 | 34.8 | 29.0 |
| Taxation and social security (including value added tax and other sales taxes) | 15.1 | 14.0 | 12.7 | 12.4 |
| Other creditors | 50.2 | 50.9 | 24.8 | 21.5 |
| Accruals | 22.2 | 21.1 | 5.1 | 5.0 |
| Proposed dividend | 29.2 | 25.5 | 29.2 | 25.5 |
| | <u>373.8</u> | <u>338.7</u> | <u>272.0</u> | <u>249.6</u> |

Overdrafts of certain subsidiaries amounting to £1.4m at 31st December 1984 (1983 £2.2m) were secured on the assets of those subsidiaries.

16 Creditors: amounts falling due after more than one year

| | Group | | Parent | |
|---|-------------|------------|-------------|------------|
| | 1985 £m | 1984 £m | 1985 £m | 1984 £m |
| Loans | 8.3 | 9.6 | 6.7 | 6.7 |
| Due to group companies | — | — | 21.5 | 21.5 |
| Other creditors | 4.5 | 3.7 | — | — |
| | 12.8 | 13.3 | 28.2 | 28.2 |
| An analysis of loans is as follows: | | | | |
| Secured: | | | | |
| 15% debenture 1990 | 1.1 | 1.1 | — | — |
| Unsecured: | | | | |
| 7¾% stock 1988/93 | 5.7 | 5.7 | 5.7 | 5.7 |
| 6¾% convertible US dollar bonds 1993 | 1.0 | 1.0 | 1.0 | 1.0 |
| Foreign currency | .5 | 1.8 | — | — |
| | 8.3 | 9.6 | 6.7 | 6.7 |

The debenture is repayable at 105% and is secured on the tangible fixed assets of the Indian subsidiary. Except for loans, creditors are wholly repayable within 5 years.

17 Provisions for liabilities and charges—deferred taxation

| | Group | | Parent | |
|--|-------------|--------|-------------|--------|
| | £m | £m | £m | £m |
| At 31st March 1984 | 21.7 | | 9.3 | |
| Movement during year | 3.5 | | (.2) | |
| At 31st March 1985 | 25.2 | | 9.1 | |
| | 1985 | 1984 | 1985 | 1984 |
| | £m | £m | £m | £m |
| Analysis of provision: | | | | |
| Capital allowances | 36.4 | 35.0 | 20.0 | 19.0 |
| Other items | 1.3 | (2.4) | 1.6 | 1.2 |
| Advance corporation tax recoverable | (12.5) | (10.9) | (12.5) | (10.9) |
| | 25.2 | 21.7 | 9.1 | 9.3 |
| Full potential liability: | | | | |
| Capital allowances | 78.4 | 71.4 | 47.1 | 40.0 |
| Capital gains taxation rolled over | 21.0 | 16.2 | .3 | .3 |
| Other items | (1.9) | (3.5) | (1.4) | .1 |
| Advance corporation tax recoverable | (12.5) | (10.9) | (12.5) | (10.9) |
| | 85.0 | 73.2 | 33.5 | 29.5 |

The amounts provided for deferred taxation and the full potential liability are calculated at 35% except where settlement is expected to be made at 40%. In 1984 a provision of £35m (parent £19m) was made from reserves following a fundamental change in the system of corporation tax.

Notes relating to the accounts

18 Share capital

| | 1985 £m | 1984 £m |
|------------------------------|------------|------------|
| Ordinary shares of 25p each: | | |
| Authorised | 225·0 | 225·0 |
| Issued and fully paid | 182·2 | 182·0 |

Details of ordinary shares allotted during the year are as follows:

| | Profit sharing scheme | Option schemes | Convertible US dollar bonds | Total |
|---------------------------|-----------------------------|-------------------|-----------------------------------|---------|
| Number of shares allotted | 463,550 | 91,105 | 88,122 | 642,777 |
| | £000 | £000 | £000 | £000 |
| Nominal value | 116 | 23 | 22 | 161 |
| Share premium | 704 | 63 | 126 | 893 |
| Consideration | 820 | 86 | 148 | 1,054 |

A profit sharing scheme enables qualifying employees to acquire ordinary shares at market price from an existing cash bonus. At 31st March 1985, 1,697,363 shares were held in trust for 4,221 employees.

Under a savings-related scheme options may be granted enabling employees with over five years' service to subscribe for ordinary shares at approximately 90% of market price. At 31st March 1985, options exercisable from 1986 to 1992 at between 86·5p and 180p per share are outstanding in respect of 1,684,446 shares.

A maximum of 80 million ordinary shares is available for these schemes.

Under an earlier share scheme, options exercisable from 1985 to 1987 at between 85·5p and 112p per share are outstanding at 31st March 1985 in respect of 107,388 ordinary shares. The option holders of 51,030 of these shares have the right to exercise an alternative option under the present share option scheme in respect of 70,534 shares.

The convertible US dollar bonds may be converted into ordinary shares of the company at a fixed price of 108p until 1993. A full exercise of remaining conversion rights would require the issue of approximately 638,166 shares.

19 Reserves

| | Group | | | | Total £m |
|----------------------|-----------------------------------|------------------------------|-------------------------------------|--|--------------|
| | Share premium account £m | Revaluation reserve £m | Profit and loss account £m | Share of related companies £m | |
| At 31st March 1984 | 1.5 | 8.9 | 493.8 | 1.2 | 505.4 |
| Profit retained | — | — | 88.9 | (.2) | 88.7 |
| Goodwill | — | — | (9.9) | (.3) | (10.2) |
| Currency adjustments | — | — | 3.7 | (.2) | 3.5 |
| Transfers | — | (.8) | .8 | — | — |
| Issue of shares | .9 | — | — | — | .9 |
| At 31st March 1985 | <u>2.4</u> | <u>8.1</u> | <u>577.3</u> | <u>.5</u> | <u>588.3</u> |

| | Parent | | Total £m |
|----------------------|-----------------------------------|-------------------------------------|--------------|
| | Share premium account £m | Profit and loss account £m | |
| At 31st March 1984 | 1.5 | 289.1 | 290.6 |
| Profit retained | — | 47.6 | 47.6 |
| Currency adjustments | — | (.2) | (.2) |
| Issue of shares | .9 | — | .9 |
| At 31st March 1985 | <u>2.4</u> | <u>336.5</u> | <u>338.9</u> |

20 Pensions

Actuarial valuations of the Boots UK Pension Schemes were carried out as at 1st April 1983 by Messrs. Bacon & Woodrow, the schemes' consulting actuaries. Their reports show that contributions at the current rates, together with the existing assets of the schemes and income from future investments, are expected to be sufficient to meet the cost of the existing scheme benefits and to provide for future pension increases on the same basis as those granted in recent years. The next actuarial valuations are to be made as at 1st April 1986.

21 Guarantees and other financial commitments

| | Group | | Parent | |
|--|--------------------|-------------|--------------------|-------------|
| | 1985 £m | 1984 £m | 1985 £m | 1984 £m |
| (a) Future capital expenditure approved by the directors and not provided for in these accounts is as follows: | | | | |
| Contracts placed | 42.2 | 30.6 | 26.3 | 17.0 |
| Contracts not placed | 23.0 | 30.6 | 1.4 | 3.3 |
| | <u>65.2</u> | <u>61.2</u> | <u>27.7</u> | <u>20.3</u> |
| (b) At 31st March 1985 contingent liabilities are: | | | | |
| (i) Guarantees and uncalled capital relating to subsidiaries £0.5m (1984 £0.9m) | | | | |
| (ii) Other guarantees and contingencies arising in the normal course of business. | | | | |

Notes relating to the accounts

22 Staff numbers and costs

| | 1985 | 1984 |
|---|---------------|---------------|
| The average number of persons employed by the group during the year was as follows: | | |
| Industrial Division | 10,477 | 10,245 |
| Retail Division | 54,607 | 55,231 |
| Central | 2,603 | 2,660 |
| Total employees | 67,687 | 68,136 |
| The aggregate payroll cost was as follows: | £m | £m |
| Wages and salaries (including profit earning bonus of £14.0m (1984 £11.3m)) | 332.9 | 298.9 |
| Social security costs | 32.6 | 29.6 |
| Other pension costs | 21.5 | 19.3 |
| | 387.0 | 347.8 |

The 30 African employees of our South African company are paid above the Supplemented Living Level. Further information is available on request to the Secretary.

23 Remuneration of directors and senior UK employees

| | 1985 £000 | 1984 £000 |
|--|--------------|--------------|
| The following remuneration of directors and senior employees is included in aggregate payroll costs. | | |
| (i) Remuneration of directors: | | |
| Fees | 36 | 30 |
| Other remuneration | 947 | 853 |
| Payments to former directors | — | 65 |
| | 983 | 948 |

(ii) The remuneration of the chairman and highest paid director was £124,000 (1984 £99,000).

(iii) An analysis of remuneration (excluding pension contributions) of directors and UK employees earning over £30,000 in the year is shown below.

| | | Numbers | |
|------------|--------------------|---------|------|
| | | 1985 | 1984 |
| Directors: | £120,001 — 125,000 | 1 | — |
| | £95,001 — 100,000 | 1 | 1 |
| | £75,001 — 80,000 | — | 1 |
| | £65,001 — 70,000 | 2 | 1 |
| | £60,001 — 65,000 | 1 | — |
| | £55,001 — 60,000 | 2 | 3 |
| | £50,001 — 55,000 | 2 | — |
| | £45,001 — 50,000 | — | 2 |
| | £40,001 — 45,000 | — | 1 |
| | £25,001 — 30,000 | 1 | — |
| | £20,001 — 25,000 | 1 | — |
| | £15,001 — 20,000 | — | 1 |
| | £10,001 — 15,000 | 1 | 1 |
| | £5,001 — 10,000 | 4 | 3 |
| | £1 — 5,000 | — | 1 |
| Employees: | £50,001 — 55,000 | 1 | — |
| | £45,001 — 50,000 | 1 | 1 |
| | £40,001 — 45,000 | 5 | 4 |
| | £35,001 — 40,000 | 25 | 7 |
| | £30,001 — 35,000 | 58 | 27 |

24 Directors' shareholdings

The table below sets out the interests of the directors and their families in the share capital of the company at 31st March 1985, including those held under the company's profit sharing and option share schemes referred to in note 18 on page 22. No director holds any loan capital.

| | Number of shares beneficially held | |
|----------------------------|---------------------------------------|--------|
| | 1985 | 1984 |
| R N Gunn | 15,029 | 11,474 |
| Sir Bernard Scott | 8,000 | 8,000 |
| K Ackroyd | 15,613 | 6,208 |
| E E Cliffe | 10,919 | 10,355 |
| P H Courtney | 11,972 | 8,712 |
| A H Hawksworth | 7,149 | 5,094* |
| G M Hourston | 12,458 | 8,709 |
| P T Main | 12,126 | 12,126 |
| A B Marshall | 2,000 | 2,000 |
| The Rt Hon Sally Oppenheim | 2,149 | 1,000 |
| I M G Prosser | 1,000 | —* |
| T G Richardson | 6,932 | 3,500 |
| M F Ruddell | 56 | 56* |
| D A G Sarre | 2,000 | 2,000 |
| G R Solway | 11,983 | 9,312 |
| B H C Theobald | 11,975 | 8,226 |

Directors' holdings at 30th May 1985 are unchanged.

* At date of appointment.

Notes relating to the accounts

25 Current cost information

| | 1985 | | 1984 | |
|---|------------|---------------|--------|--------|
| | £m | £m | £m | £m |
| Trading profit on historic cost basis | | 178.9 | | 157.4 |
| Current cost adjustments: | | | | |
| Depreciation and net surplus on disposal of tangible fixed assets | (28.4) | | (29.9) | |
| Cost of sales | (10.0) | | (7.1) | |
| Monetary working capital | 6.7 | | 4.0 | |
| Related companies | (.2) | | (1.8) | |
| | | (31.9) | | (34.8) |
| Trading profit | | 147.0 | | 122.6 |
| Gearing adjustment | | — | | .6 |
| Interest | | 11.4 | | 7.7 |
| Profit on ordinary activities before taxation | | 158.4 | | 130.9 |
| Taxation on profit on ordinary activities | | (76.6) | | (59.8) |
| Profit on ordinary activities after taxation | | 81.8 | | 71.1 |
| Minority interests | (.7) | | (.5) | |
| Extraordinary profit after taxation | 4.2 | | 9.9 | |
| | | 3.5 | | 9.4 |
| Profit for the financial year attributable to shareholders | | 85.3 | | 80.5 |
| Earnings per share before taxation | | 21.4p | | 17.8p |
| Earnings per share after taxation | | 11.1p | | 9.7p |

Accounting policies

The accounting policies stated on pages 13 and 14 are unchanged except as set out below.

Depreciation and net surplus on disposal of tangible fixed assets

The adjustment represents the additional charge against profits as a result of depreciating and recalculating net surplus on disposal of tangible fixed assets on estimated current cost rather than on historical costs. It has been calculated using the appropriate retail and industrial indices, prepared by the Central Statistical Office. Asset lives have not been reassessed.

Cost of sales

The adjustment represents the difference between the historical manufacturing or purchase cost and the estimated current cost of goods at the date of sale as derived from the group's costing systems.

Monetary working capital

The adjustment allows for the effect of price changes on the monetary working capital needed to support operating capability.

Monetary working capital is negative and comprises creditors less the aggregate of debtors and cash floats.

Gearing adjustment

This indicates the extent to which the other current cost adjustments are financed by external borrowing.

Overseas companies

Overseas subsidiaries have generally calculated their adjustments using local indices or information available from their own costing systems.

Principal companies

| | | Percentage held by parent | | Percentage held by subsidiaries | | Principal activities | |
|---|--|---------------------------|-----|---------------------------------|--|---|---|
| Parent | | | | | | | |
| The Boots Company PLC | | | | | | Manufacturing, marketing and distribution of pharmaceuticals and consumer products | |
| Subsidiaries (incorporated in Great Britain) | | | | | | | |
| | Boots The Chemists Ltd. | 100 | | | | | Retail chemists |
| | Boots Pure Drug Co. Ltd. | 100 | | | | | Management company |
| | Boots International Ltd. | 100 | | | | | Management company |
| | Timothy Whites PLC | 100 | | | | | Property holding |
| | Whites Property Co. Ltd. | | 100 | | | | Property holding |
| | Crookes Products Ltd. | 100 | | | | | Marketing consumer products |
| | Optrex Ltd. | 100 | | | | | Marketing consumer products |
| Subsidiaries (incorporated overseas) | | | | | | Activities refer to pharmaceutical and consumer products unless otherwise indicated | |
| Australia | The Boots Company (Australia) Pty. Ltd. | 100 | | | | | Manufacturing and marketing |
| Belgium | The Boots Company (Belgium) S.A. | | 100 | | | | Marketing |
| Canada | Boots Drug Stores (Holdings) Ltd. | | 100 | | | | Retail chemists |
| France | Laboratoires Boots—Dacour S.A. | 92.5 | | | | | Manufacturing and marketing |
| | Beauté, Hygiène et Soins, S.A. | 100 | | | | | Retailing of cosmetics and toiletries |
| Holland | The Boots Company (Holland) B.V. | 100 | | | | | Marketing |
| India | The Boots Company (India) Ltd. | 53 | | | | | Manufacturing and marketing |
| Ireland | The Boots Company (Ireland) Ltd. | 100 | | | | | Marketing |
| Italy | Boots-Formenti S.p.A. | 55 | | | | | Marketing |
| Kenya | The Boots Company (Kenya) Ltd. | | 100 | | | | Manufacturing and marketing |
| Malaysia | Optrex (Malaya) Sdn. Berhad | | 100 | | | | Marketing |
| New Zealand | Boots The Chemists (New Zealand) Ltd. | 100 | | | | | Retail chemists and marketing |
| Pakistan | The Boots Company (Pakistan) Ltd. | 56.5 | | | | | Manufacturing and marketing |
| Philippines | The Boots Company (Philippines) Inc. | 100 | | | | | Marketing |
| Singapore | The Boots Company (Far East) Pte. Ltd. | 100 | | | | | Marketing |
| South Africa | The Boots Company (South Africa) (Pty.) Ltd. | 100 | | | | | Manufacturing and marketing |
| Spain | Laboratorios Liade S.A. | 100 | | | | | Manufacturing and marketing |
| Thailand | The Boots Company (Thailand) Ltd. | 100 | | | | | Marketing |
| USA | Boots Pharmaceuticals, Inc. | | 100 | | | | Manufacturing and marketing pharmaceuticals |
| | Boots Laboratories Inc. | | 100 | | | | Manufacturing pharmaceuticals |
| West Germany | Technochemie GmbH Verfahrenstechnik | 100 | | | | | Manufacturing speciality chemicals |
| | Kanoldt Arzneimittel GmbH | | 95 | | | | Manufacturing and marketing pharmaceuticals |

All the above shares held are ordinary shares. In addition the group owns 100% of the preferred shares in Boots Drug Stores (Canada) Ltd. and Boots Drug Stores (Western) Ltd., subsidiaries of Boots Drug Stores (Holdings) Ltd.

| | | Issued share capital | | Percentage held | | Principal activities | |
|----------------------|---|---|----|-----------------|--|----------------------|--|
| Great Britain | Related companies Boots-Celltech Diagnostics Ltd. | 3,000,000 ordinary shares of £1 paid | 50 | | | | Manufacturing and marketing of diagnostic products |
| Malaysia | Raza Manufacturing S.B. | 1,100,000 Malaysian dollars fully paid | 49 | | | | Manufacturing pharmaceuticals |
| | Cosmaceutics S.B. | 550,000 Malaysian dollars fully paid | 30 | | | | Manufacturing cosmetics and toiletries |
| Nigeria | The Boots Company (Nigeria) Ltd. | 6,000,000 ordinary shares of 50 kobo fully paid | 40 | | | | Manufacturing and marketing |
| Yugoslavia | R.O. Boots-Galenika | | 49 | | | | Manufacturing pharmaceuticals |

Unless otherwise indicated all the companies operate principally in the country of incorporation.

Auditors' report

to the members of The Boots Company PLC

We have audited the accounts on pages 10 to 29 in accordance with approved Auditing Standards.

In our opinion the accounts which have been prepared on the basis of the accounting policies set out on pages 13 and 14, give a true and fair view of the state of affairs of the company and of the group at 31st March 1985 and of the profit and source and application of funds of the group for the year to that date and comply with the Companies Acts 1948 to 1981.

PEAT, MARWICK, MITCHELL & CO.
Chartered Accountants, Birmingham.

30th May 1985.

Group financial record

| | 1985 £m | 1984 £m | 1983 £m | 1982 £m | 1981 £m |
|--|---------------|------------|------------|------------|------------|
| Turnover | 2033.1 | 1832.8 | 1670.0 | 1487.4 | 1373.8 |
| Profit on ordinary activities before taxation | 190.3 | 165.1 | 140.1 | 120.2 | 122.5 |
| Taxation | (76.6) | (59.8) | (46.9) | (30.9) | (44.8) |
| Profit on ordinary activities after taxation | 113.7 | 105.3 | 93.2 | 89.3 | 77.7 |
| Minority interests | (1.0) | (.9) | (.7) | (.5) | (.4) |
| | 112.7 | 104.4 | 92.5 | 88.8 | 77.3 |
| Extraordinary items | 21.2 | 23.9 | (3.2) | (2.6) | — |
| Profit attributable to shareholders | 133.9 | 128.3 | 89.3 | 86.2 | 77.3 |
| Dividends | (45.2) | (40.0) | (34.5) | (30.8) | (27.2) |
| Profit retained | 88.7 | 88.3 | 54.8 | 55.4 | 50.1 |
| Balance sheets | | | | | |
| Tangible fixed assets | 504.3 | 453.2 | 431.9 | 397.6 | 340.6 |
| Investments | 3.7 | 4.4 | 49.3 | 53.0 | 50.9 |
| Net current assets | 303.7 | 267.5 | 168.4 | 150.6 | 145.8 |
| Other creditors | (12.8) | (13.3) | (11.6) | (13.2) | (12.9) |
| Provisions for liabilities and other charges | (25.2) | (21.7) | — | — | — |
| Net assets | 773.7 | 690.1 | 638.0 | 588.0 | 524.4 |
| Represented by: | | | | | |
| Shareholders funds | 770.5 | 687.4 | 635.5 | 586.1 | 522.8 |
| Minority interests | 3.2 | 2.7 | 2.5 | 1.9 | 1.6 |
| | 773.7 | 690.1 | 638.0 | 588.0 | 524.4 |
| Statistics | | | | | |
| Earnings per share before taxation | 25.8p | 22.4p | 19.1p | 16.4p | 16.8p |
| Earnings per share after taxation | 15.5p | 14.4p | 12.7p | 12.3p | 10.7p |
| Dividend per share | 6.2p | 5.5p | 4.75p | 4.25p | 3.75p |
| Dividend cover | 3.0 | 3.2 | 2.6 | 2.8 | 2.8 |
| Profit on ordinary activities before taxation as % of net assets | 24.6 | 23.9 | 22.0 | 20.4 | 23.4 |
| Profit on ordinary activities after taxation as % of net assets | 14.7 | 15.3 | 14.6 | 15.2 | 14.8 |
| Net asset value per share | 106.2p | 94.8p | 87.8p | 81.0p | 72.3p |

1 Relevant statistics have been adjusted for the effect of the one for one capitalisation issue in July 1983.

2 The book value of the group's property which amounts to 35% of net assets is, in the opinion of the directors, substantially below its current value (see page 8).

Divisional financial record

| | 1985 £m | 1984 £m | 1983 £m | 1982 £m | 1981 £m |
|----------------------------|--------------|--------------|--------------|--------------|--------------|
| Industrial Division | | | | | |
| *Turnover | | | | | |
| UK (including exports) | 226.1 | 205.4 | 188.3 | 194.6 | 204.4 |
| Overseas | 187.6 | 153.5 | 126.4 | 86.3 | 74.3 |
| Intra-divisional | (30.7) | (22.0) | (22.0) | (17.9) | (14.5) |
| | <u>383.0</u> | <u>336.9</u> | <u>292.7</u> | <u>263.0</u> | <u>264.2</u> |

*Turnover of Industrial Division includes sales to Retail Division.

Profit on ordinary activities before taxation

| | | | | | |
|---------------------------------------|-------------|-------------|-------------|-------------|-------------|
| UK | 34.6 | 36.7 | 39.5 | 38.9 | 33.9 |
| Overseas | 30.0 | 23.8 | 14.9 | 7.9 | 7.6 |
| Share of results of related companies | (.4) | 1.8 | 3.5 | 2.6 | .9 |
| | <u>64.2</u> | <u>62.3</u> | <u>57.9</u> | <u>49.4</u> | <u>42.4</u> |

| | | | | | |
|----------------------------|------|------|------|------|------|
| Capital expenditure | 40.6 | 23.1 | 22.3 | 24.7 | 18.1 |
|----------------------------|------|------|------|------|------|

Retail Division

Turnover

| | | | | | |
|----------|---------------|---------------|---------------|---------------|---------------|
| UK | 1564.6 | 1456.9 | 1351.1 | 1237.3 | 1134.7 |
| Overseas | 194.3 | 146.2 | 127.8 | 98.7 | 74.6 |
| | <u>1758.9</u> | <u>1603.1</u> | <u>1478.9</u> | <u>1336.0</u> | <u>1209.3</u> |

Profit on ordinary activities before taxation

| | | | | | |
|-----------------------------------|--------------|-------------|-------------|-------------|-------------|
| UK | 107.1 | 82.8 | 73.1 | 65.9 | 79.6 |
| Surplus on disposal of properties | 8.9 | 16.5 | 14.5 | 9.2 | 3.0 |
| Total UK | 116.0 | 99.3 | 87.6 | 75.1 | 82.6 |
| Overseas | 1.6 | (.1) | (3.0) | (2.1) | (2.4) |
| | <u>117.6</u> | <u>99.2</u> | <u>84.6</u> | <u>73.0</u> | <u>80.2</u> |

| | | | | | |
|----------------------------|------|------|------|------|------|
| Capital expenditure | 52.4 | 36.8 | 35.7 | 58.2 | 48.7 |
|----------------------------|------|------|------|------|------|

Shareholders

| | | |
|---------------------|----------------|------|
| Shareholdings range | Number | % |
| 1— 500 | 19,651 | 19.0 |
| 501— 1,000 | 23,091 | 22.4 |
| 1,001— 10,000 | 56,159 | 54.4 |
| 10,001— 100,000 | 3,849 | 3.7 |
| 100,001—1,000,000 | 379 | .4 |
| Over 1,000,000 | 104 | .1 |
| | <u>103,233</u> | |

Notice of annual general meeting

Notice is hereby given that the annual general meeting of The Boots Company PLC will be held at The Inter-Continental Hotel (Grand Ballroom), Hyde Park Corner, London W1V 0QY on Thursday, 25th July 1985 at 11 a.m.

Shareholders are requested to use the Grand Ballroom Entrance in Hamilton Place. Nearest Underground Hyde Park Corner.

The business of the meeting will be

Ordinary business

- (a) To receive the directors' report and statement of accounts and the auditors' report thereon.
- (b) To declare a final dividend.
- (c) To re-elect Mr A H Hawksworth as a director.
- (d) To re-elect Mr M F Ruddell as a director.
- (e) To re-elect Mr I M G Prosser as a director.
- (f) To re-elect The Rt Hon Sally Oppenheim, PC, MP as a director.
- (g) To re-appoint auditors and to authorise the directors to fix the remuneration of the auditors.

Special business

To consider, and, if thought fit, pass the resolutions set out on pages 33 and 34 of which resolutions No. 1 and 2 will be proposed as ordinary resolutions and resolution No. 3 will be proposed as a special resolution.

Notes

1 A member entitled to attend and vote may appoint one or more proxies (who need not be members) to attend and vote instead of him.

2 A statement of transactions of directors (and of their family interests) in the shares of the company will be available for inspection at 1 Thane Road West, Nottingham on any

weekday (Saturdays excluded) from 27th June to 24th July 1985, during usual business hours, and at the venue of the meeting on 25th July 1985 from 10.30 a.m. until the conclusion of the meeting.

3 No director of the company has a service contract of more than one year's duration.

By order of the board, D N EDMUNDSON, Secretary.

Dated 27th June 1985.

The directors would be pleased to have an opportunity of meeting shareholders who will be attending.

Coffee will be served prior to the meeting from 10.30 a.m.

Special business

Executive Share Option Scheme

As explained in the Chairman's letter accompanying this notice, the directors recommend the introduction of an Executive Share Option Scheme with a view to providing selected senior executives with further incentives related to the long term performance of the company. Shareholders' approval is required and an ordinary resolution (No.1) will be proposed for this purpose.

Share Capital

The authorities conferred on the directors at last year's annual general meeting firstly to allot unissued share capital and secondly to allot shares for cash in limited circumstances (the making of a rights issue or an issue of shares for cash up to a maximum of 5 per cent of the authorised share capital of the company) expire at the conclusion of the forthcoming annual general meeting. The directors recommend that the authorities be renewed for a period of a further year to expire at the conclusion of the 1986 annual general meeting. Accordingly, on a similar basis as last year, an ordinary resolution (No. 2) will be proposed to authorise the directors to allot unissued shares up to a maximum nominal amount of £42,798,120 being the unissued share capital, and a special resolution (No. 3) will be proposed authorising the directors to allot shares for cash.

Resolutions

Resolution No. 1 as an ordinary resolution

- | | |
|---|---|
| <p>(a) THAT, the Boots 1985 Executive Share Option Scheme, the main features of which are summarised in the Appendix to the letter from the Chairman of the company dated 27th June 1985 accompanying this Notice of Meeting, be and is hereby approved and that the directors be authorised to do all acts and things necessary to establish and</p> | <p>carry the same into effect;</p> <p>(b) THAT, the directors of the company may vote in the quorum on any matter concerned with the said Scheme notwithstanding that they may be interested in it and the prohibition on voting by interested directors contained in Article 90(c) of the Articles of Association be and is hereby accordingly relaxed to that extent.</p> |
|---|---|
-

Resolution No. 2 as an ordinary resolution

- | | |
|--|---|
| <p>THAT, the board be and it is hereby generally and unconditionally authorised to exercise all powers of the company to allot relevant securities within the meaning of section 14 of the Companies Act 1980 up to an aggregate nominal amount of £42,798,120 provided that this authority shall expire at the conclusion of the next annual general meeting of the company after the</p> | <p>passing of this resolution save that the company may, before such expiry, make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the board may allot relevant securities in pursuance of such offer or agreement as if the authority conferred hereby had not expired.</p> |
|--|---|
-

See page 34 for Resolution No. 3.

Special business

Resolutions (continued)

Resolution No. 3 as a special resolution

THAT, subject to the passing of resolution No. 2 above, the board be and it is hereby empowered pursuant to section 18 of the Companies Act 1980 to allot equity securities (within the meaning of section 17 of the Act) pursuant to the authority conferred by the previous resolution as if sub-section 17 (1) of the Act did not apply to any such allotment, provided that this power shall be limited:

- (a) to the allotment of equity securities in connection with a rights issue in favour of ordinary shareholders where the equity securities respectively attributable to the interests of all ordinary shareholders are proportionate (as nearly as may be) to the respective numbers of

- ordinary shares held by them; and
 - (b) to the allotment (otherwise than pursuant to sub-paragraph (a) above) of equity securities up to an aggregate nominal value of £11,250,000 and shall expire at the conclusion of the next annual general meeting of the company after the passing of this resolution save that the company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted after such expiry and the board may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired.
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